

Message Text

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R 210927Z MAY 76

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 4217

C O N F I D E N T I A L SECTION 1 OF 2 MOSCOW 8071

E.O. 11652: GDS

TAGS: ETRD, UR, US

SUBJECT: CALL ON FOREIGN TRADE MINISTER PATOLICHEV

REF: STATE 122639

1. SUMMARY. IN COURSE OF RAMBLING DISCUSSION LASTING MORE THAN TWO HOURS, FOREIGN TRADE MINISTER PATOLICHEV CRITICIZED US SENATE "EFFORTS TO INTERFERE IN OTHERS' AFFAIRS WHILE FAILING TO SOLVE INTERNAL US PROBLEMS," EXPRESSED NEGATIVE THOUGH NOT HOSTILE EVALUATION OF US INTERNATIONAL ECONOMIC INITIATIVES AT UNCTAD IV, CLAIMED US IS FAILING TO MAINTAIN MOMENTUM OF EXPANSION OF BILATERAL ECONOMIC TIES, AND CLAIMED HE WAS OPTIMISTIC ABOUT FUTURE US-SOVIET TRADE "IF" AND ONLY "IF, A HEALTHY ATTITUDE PREVAILS." END SUMMARY.

2. ON MAY 20 MINISTER PATOLICHEV RECEIVED ME AT MY REQUEST FOR GENERAL REVIEW OF MUTUAL ECONOMIC/COMMERCIAL INTERESTS. CONVERSATION TOUCHED UPON BROAD RANGE OF ISSUES, INCLUDING MOST OF THOSE COVERED REFTEL. SOVIET REACTIONS ON MARINE INSURANCE AND OIL NEGOTIATIONS
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ARE TRANSMITTED SEPTELS. SUBSTANCE OF TALKING POINTS ON EXPERTS

WORKING GROUP DREW BRIEF ACKNOWLEDGMENT. DEPUTY MINISTER ALKHIMOV, ACTING CHIEF OF MFT ADMINISTRATION FOR TRADE WITH COUNTRIES OF AMERICAS MEL'NIKOV AND INTERPRETER OLEG LYAMIN WERE ALSO PRESENT ON SOVIET SIDE. IN TYPICALLY GARRULOUS FORM PATOLICHEV JUMPED BACK AND FORTH FROM ONE TOPIC TO ANOTHER, LEAVENING HIS REMARKS WITH FOLK SAYINGS AND REMINISCENCES. HE LOOKED WELL, EXPRESSED HIMSELF VIGOROUSLY AND GAVE OVERALL IMPRESSION OF MAN FIRMLY IN COMMAND OF MINISTRY WHO HAS NO INTENTION OF SURRENDERING AUTHORITY TO OTHERS IN NEAR FUTURE.

3. PATOLICHEV'S OPENING GAMBIT WAS CRITICISM OF THE CRANSTON RESOLUTION (ESPECIALLY THE FINAL PARAGRAPHS) AS FINALLY PASSED BY SENATE. HE COMMENTED THAT SENATE ALWAYS SEEMS TO WANT TO RETURN TO "DEAD QUESTIONS AND RECOMMENDED US WAIT TO BUILD CERTAIN FREEDOMS THROUGHOUT THE WORLD UNTIL AFTER THOSE SAME FREEDOMS ARE IN FORCE THROUGHOUT US.

4. FOLLOWING FURTHER BANTER AND INFORMAL PLEASANTRIES ABOUT HIS TRIP TO NAIROBI (PATOLICHEV COMMENTED FAVORABLY ON HIS ENCOUNTER WITH SECRETARY: "REGRET SOMETHING ALWAYS SEEMS TO COME BETWEEN US - SOMETIMES A NEW ISSUE AND IN NAIROBI AN AISLE") CONVERSATION TURNED TO RECENT OFFICIAL STATEMENTS ON US-SOVIET TIES. REMARKING THAT EVEN SOME OF SECRETARY'S RECENT PUBLIC STATEMENTS TENDED TO INCITE AMERICAN PEOPLE AGAINST SOVIET PEOPLE, PATOLICHEV CLAIMED SOVIETS HAVE NEVER ENGAGED IN THIS "UNJUST" PRACTICE. HE SAID THAT, RECOGNIZING DIFFERENCES IN SOCIAL SYSTEMS, SOVIETS UNDERSTAND AND THEMSELVES ENGAGE IN CRITICISM OF GOVERNMENTS AND INSTITUTIONS, BUT NEVER OF PEOPLES THEMSELVES.

5. RESPONDING TO MY REMONSTRANCE THAT SECRETARY HAD PROVEN HIS CONSTRUCTIVE ATTITUDE AND POSITIVE APPROACH TO US-SOVIET TIES AND THAT MAJORITY OF AMERICAN PEOPLE SUPPORT AND SHARE SECRETARY'S VIEWS, PATOLICHEV CHANGED TACK. REFERRING TO SPECIFICALLY COMMERCIAL TIES, HE BROUGHT UP 1972 TRADE AGREEMENT, COMMENTING THAT IT IS DERAILED FOR PRESENT AND STATING THAT IF IT SHOULD REQUIRE RENEGOTIATION, HE WOULD NOT SIGN ANOTHER LIKE IT.

6. AFTER GOOD-HUMORED DISQUISITION SETTING FORTH CUSTOMARY SOVIET LINE ON COMECON'S ESSENTIAL INDEPENDENCE FROM EXTERNAL SOURCES OF CONFIDENTIAL

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SUPPLY ("EXCEPT FOR BANANAS, WE ARE AUTONOMOUS, WITH ALL ENERGY AND RAW MATERIALS WE WILL NEED FOR 200 TO 300 YEARS"), PATOLICHEV LET HIMSELF BE DRAWN OUT ON QUESTION OF INTERNATIONAL ECONOMIC COOPERATION. HE SAID SOVIETS SEE LITTLE HOPE FOR SOLUTION OF MANY OF THE ISSUES UNTIL SOME OF THE MAJOR ONES NEAR AT HAND CAN BE RESOLVED: "IN WESTERN EUROPE THEY ARE SUFFOCATING EACH OTHER WITH COMPETITION IN THEIR OWN AND THIRD-COUNTRY MARKETS. EVEN IN EEC THERE IS LITTLE COOPERATION." HE CLAIMED BASIS FOR SOLUTION

OF ALL SUCH PROBLEMS COULD BE FOUND IN PROVISIONS OF HELSINKI FINAL ACT, BUT IF INDIVIDUAL COUNTRIES CANNOT REALIZE THIS, THERE IS NOTHING TO DO. PATOLICHEV SKIRTED QUESTION OF SOVIET ATTITUDES TOWARD US INITIATIVES AT UNCTAD IV AND CIEC, BUT HE MENTIONED DISPARAGINGLY PUBLICATION CALLED COSMOS WHICH HE DESCRIBED AS REPRESENTING VIEWS OF GROUP OF 77 AND MARKEDLY HOSTILE TO US EFFORTS.

7. REFERRING DIRECTLY TO SECRETARY'S SPEECH IN NAIROBI, PATOLICHEV SAID HE HAD LISTENED ATTENTIVELY, AND LEAVING ASIDE POSITIVE ASPECTS, IT SEEMED TO HIM THAT THESIS ENVISIONING PRIVATE CAPITAL AS MEANS FOR INDUSTRIALIZATION OF DEVELOPING COUNTRIES WOULD NOT BE ACCEPTABLE TO THOSE COUNTRIES THEMSELVES. HE PREDICTED THAT ONLY SUPPORT US WOULD FIND WOULD COME FROM COUNTRIES

OBLIVIOUS TO INTERESTS OF THEIR OWN PEOPLE, AND CHARACTERIZED APPROACH

EMBODIED IN US PROPOSALS AS ARCHAIC, REMARKING IN PASSING THAT HE UNDERSTOOD KENYATTA TO BE MULTIMILLIONAIRE WHILE PRIMITIVE TRIBESMEN RAN ABOUT NAKED ONLY TWENTY MILES FROM NAIROBI.

8. PATOLICHEV SUGGESTED THAT "SELF-COMPENSATING" PROJECTS SIMILAR TO THOSE SOVIETS ARE PUSHING WITH OWN WESTERN TRADING PARTNERS MIGHT SERVE AS MODEL FOR FUTURE PARTICIPATION BY DEVELOPED COUNTRIES IN ECONOMIES OF LESS DEVELOPED. IN HIS VIEW, SUCH AN APPROACH WOULD ELIMINATE FOREIGN INVESTMENT PROBLEM WHILE FACILITATING

FLOW OF RAW AND SEMI-FINISHED MATERIALS TO INDUSTRIALIZED COUNTRIES. HE REPEATED AT SOME LENGTH FAMILIAR SOVIET COMPLAINT THAT DEVELOPING COUNTRIES LUMP USSR TOGETHER WITH "RICH" COUNTRIES, ALTHOUGH SOVIETS BEAR NO RESPONSIBILITY FOR POVERTY OF DEVELOPING NATIONS.

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9. RETURNING TO COMPENSATION AGREEMENTS, PATOLICHEV NOTED THAT THEY COULD ALSO SERVE AS SOURCES OF STABILITY IN INTERNATIONAL TRADE IF CONCLUDED ON LONG-TERM BASIS, PERHAPS PROVIDING FOR SHIPMENT OF MATERIALS LONG AFTER PROJECT COSTS HAD BEEN LIQUIDATED. HE REMARKED THAT SOVIET GAS SALES AGREEMENTS HAVE BEEN OPERATING SMOOTHLY FOR TWENTY YEARS, AND THEN VEERED OFF ON NORTH STAR AND YAKUTIA GAS PROJECTS, CHARACTERIZING NORTH STAR AS "MORE DIFFICULT" OF TWO BECAUSE OF NATURE OF TERRAIN (PERMAFROST) AND DIFFICULTY OF CONSTRUCTION IN ABSENCE OF DIRECT RAIL OR ROAD LINKS NEAR PROJECTED ROUTE OF PIPELINE. I RESPONDED TO HIS URGING THAT US GOVT TAKE MORE ACTIVE ROLE IN PROMOTION OF YAKUTIA LNG PROJECT ON BASIS POINTS GIVEN REFTEL, AND ALKHIMOV REMARKED THAT EVENTUAL CONSTRUCTION OF YAKUTIA PIPELINE, ALTHOUGH NOT SIMPLE, WOULD BE MUCH EASIER THAN NORTH STAR BECAUSE PIPE FROM YAKUTSK TO NAKHODKA COULD BE LAID NEAR RAIL LINE NOW UNDER CONSTRUCTION (BAM).

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10. DISCUSSION OF COMPENSATION PROJECTS BROUGHT CREDIT ISSUE TO PATOLICHEV'S MIND: "ONE OF YOUR SENATORS OR SOMEONE," HE REMARKED (IN APPARENT REFERENCE TO STEVENSON AMENDMENT TO EXIMBANK LEGISLATION), "RAISED QUESTION OF CREDITS FOR ENERGY PROJECTS IN USSR. I DON'T UNDERSTAND DIFFICULTY. IF WE ASKED FOR CREDIT FACILITIES TO BUILD PIPELINE FOR OURSELVES, IT WOULD BE DIFFERENT MATTER, BUT YAKUTIA GAS DEPOSITS ARE NOT INCLUDED IN OUR DOMESTIC DEVELOPMENT PLANS." DISQUISITION ON SOVIET ENERGY PRODUCTION PLANS CITING FIGURES INCLUDED IN MOSCOW'S A-86 FOLLOWED TOGETHER WITH PAEAN ON EASTERN SIBERIA'S INEXHAUSTIBLE MINERAL WEALTH ("IN SUM, EVERYTHING JAPAN DOESN'T HAVE").

11. TURNING ONCE AGAIN TO TOPIC OF EMIGRATION FROM USSR, PATOLICHEV SAID HE FOUND IN SURPRISING THAT THIS ONE MATTER COMES UP IN CONGRESS AGAIN AND AGAIN, WHILE OTHER INITIATIVES RISE IN FEVERISH ACTIVITY AND ARE THEN FORGOTTEN. ALLUDING TO HIS NEGOTIATIONS WITH THEN COMMERCE SECRETARY PETERSON ON 1972 TRADE AGREEMENT, PATOLICHEV RECOUNTED VARIOUS OTHER NEGOTIATIONS AND DISCUSSIONS CONDUCTED AT SAME TIME (LEND LEASE, TAXATION CONVENTION, QUESTION OF SOVIET ADHERENCE TO INTERNATIONAL COPYRIGHT CONVENTION),

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COMMENTING ON IRONY THAT SUBSIDIARY ACCORDS SHOULD HAVE ENTERED INTO FORCE WHILE CENTERPIECE LIES NEGLECTED.

12. ASKING ABOUT COURSE OF US PRIMARIES AND OUTLOOK FOR FALL POLITICAL CAMPAIGN, PATOLICHEV SEIZED UPON UNEVEN PACE OF SOME CANDIDATES' EFFORTS AS EVIDENCE THAT AMERICAN PEOPLE SUPPORT STRONGER AND CLOSER RELATIONS WITH USSR, BUT REFLECTED DISAPPOINTMENT THAT SOME US POLITICAL FIGURES WHOM SOVIETS FEEL THEY KNOW AND UNDERSTAND ARE NOT NOW ACTIVE CANDIDATES.

13. MEETING WOUND UP ON POSITIVE NOTE THAT BOTH SIDES MUST CONTINUE TO STRENGTHEN TIES FORGED IN PAST AND SEEK OPPORTUNITIES TO BUILD NEW ONES. PATOLICHEV CONCLUDED BY STATING THAT HE SAW GROUNDS FOR BRIGHT VIEW OF FUTURE "IF, AND PLEASE WRITE THIS DOWN AND CONVEY IT FAITHFULLY, IF A HEALTHY ATTITUDE PREVAILS."

14. COMMENT: NO QUESTIONS ON POSTPONEMENT OF JOINT COMMERCIAL COMMISSION OR LEVEL AND RATIO OF TWO-WAY TRADE TURNOVER AROSE, AND WHILE CONVERSATION GENERATED NO FRESH INSIGHTS INTO PATOLICHEV'S THINKING ABOUT BILATERAL TRADE ISSUES, HIS REMARKS ON SECRETARY AND ON UNCTAD SUGGEST BEST US CAN EXPECT FROM SOVIETS AT NAIROBI IS UNHELPFUL AND GENERALLY NEGATIVE PASSIVITY. PATOLICHEV'S QUESTIONS AND COMMENTS GAVE SENSE THAT SOVIETS UNDERSTAND VARIOUS FACTORS, INCLUDING THOSE ASSOCIATED WITH US ELECTION YEAR ACTIVITIES, WHICH MAKE UNREALISTIC ANY EXPECTATION OF TRADE ACT AMENDMENTS THIS YEAR, BUT THEIR PATIENCE IS BEGINNING TO GROW THREADBARE. STOESEL

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